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11 **IN THE UNITED STATES DISTRICT COURT**  
12 **FOR THE CENTRAL DISTRICT OF CALIFORNIA**

13 DAVID SHUPAK, derivatively on behalf of  
14 SEMPRA ENERGY and SOUTHERN  
15 CALIFORNIA GAS COMPANY,

16 Plaintiff,

17 v.

18 DEBRA L. REED, JOSEPH A.  
19 HOUSEHOLDER, STEVEN D. DAVIS,  
20 JUSTIN C. BIRD, DENNIS V. ARRIOLA,  
21 JIMMIE I. CHO, DOUG SCHNEIDER,  
22 MICHAEL M. SCHNEIDER, SCOTT  
23 FURGERSON, GEORGE MINTER, ALAN  
24 L. BOECKMANN, JAMES G.  
25 BROCKSMITH, JR., KATHLEEN L.  
26 BROWN, PABLO A. FERRERO, WILLIAM  
27 D. JONES, WILLIAM G. OUCHI,  
28 WILLIAM C. RUSNACK, WILLIAM P.  
RUTLEDGE, LYNN SCHENK, JACK T.  
TAYLOR, and JAMES C. YARDLEY,

Defendants,

-and-

SEMPRA ENERGY and SOUTHERN  
CALIFORNIA GAS COMPANY

Nominal Defendants.

Case No.:

**VERIFIED STOCKHOLDER  
DERIVATIVE COMPLAINT**

**JURY TRIAL DEMANDED**

1 Plaintiff David Shupak (“Plaintiff”), by and through his attorneys, submits this  
 2 Verified Stockholder Derivative Complaint against the Individual Defendants (as  
 3 defined herein) and alleges the following upon information and belief, except as to  
 4 those allegations concerning Plaintiff, which are alleged upon personal knowledge.  
 5 Plaintiff’s information and belief is based upon, among other things, his counsel’s  
 6 investigation, which includes without limitation: (a) review and analysis of  
 7 regulatory filings made by Sempra Energy and Southern California Gas Company  
 8 (“Sempra” and “SoCalGas,” respectively, or the “Companies”), with the United  
 9 States Securities and Exchange Commission (“SEC”); (b) review and analysis of  
 10 press releases and media reports issued by and disseminated by Sempra and  
 11 SoCalGas; and (c) review of other publicly available information concerning Sempra  
 12 and SoCalGas.

### 13 NATURE OF THE ACTION

14 1. This is a stockholder derivative action asserting claims for breach of  
 15 fiduciary duty brought on behalf of nominal defendants Sempra and SoCalGas  
 16 against certain officers of the Companies and members of Sempra’s Board of  
 17 Directors (the “Board”).

18 2. Sempra operates as an energy services holding company worldwide.  
 19 SoCalGas, a wholly owned Sempra subsidiary, transmits, distributes, and stores  
 20 natural gas. SoCalGas serves a vast swath of California. As of December 31, 2015,  
 21 it had approximately 5.9 million customers.

22 3. SoCalGas operates the Aliso Canyon underground storage facility (the  
 23 “Facility”), which houses up to 80 billion cubic feet of gas and is one of the largest  
 24 such reservoirs in the country. The Facility was developed almost 80 years ago as  
 25 an active gas well. It was converted to a natural gas storage facility in the 1970s.  
 26  
 27  
 28

1 The Facility is less than one mile from the Los Angeles community of Porter Ranch  
2 and mere miles away from several other large neighborhoods.

3 4. On or about October 23, 2015, SoCalGas discovered a massive natural  
4 gas leak (the “Leak”) at the Facility. SoCalGas waited until October 28, 2015 to  
5 report the Leak to the general public.

6 5. Over the next few months, the Leak continued to spew around one  
7 million barrels of natural gas into the air per day. Eventually, the California State  
8 Health Department ordered Sempra to expedite leak abatement and provide  
9 temporary relocation to any residents affected. On January 6, 2016, California  
10 Governor Jerry Brown declared a state of emergency. The Leak was eventually  
11 capped on February 18, 2016, but not before becoming the largest methane leak in  
12 United States history. Many affected families still have not been properly relocated  
13 and the Companies are the subject of at least 83 negligence-related class actions, a  
14 securities class action, a state action, a city action, a criminal complaint, and a  
15 federal government investigation.

16 6. The Individual Defendants breached their fiduciary duties of loyalty  
17 and good faith by willfully engaging in the wrongdoing as alleged herein.

18 7. As a direct and proximate result of the Individual Defendants’ breaches  
19 of fiduciary duties, the Companies have sustained damages as described below.

#### 20 **JURISDICTION AND VENUE**

21 8. Diversity jurisdiction is conferred by 28 U.S.C. § 1332. Plaintiff and  
22 the Individual Defendants are citizens of different states and the amount in  
23 controversy exceeds the sum or value of \$75,000, exclusive of interest and costs.

24 9. This Court has personal jurisdiction over each of the Defendants  
25 because each defendant is either a corporation conducting business and maintaining  
26 operations in this District, or is an individual who is either present in this District for  
27

1 jurisdictional purposes, or has sufficient minimum contacts with this District so as to  
 2 render the exercise of jurisdiction by this Court permissible under traditional notions  
 3 of fair play and substantial justice.

4 10. Venue is proper in this District pursuant to 28 U.S.C. § 1391 because (i)  
 5 one or more of the Defendants either resides or maintains executive offices in this  
 6 District; (ii) a substantial portion of the transactions and wrongs complained of  
 7 herein occurred in this District; and (iii) Defendants have received substantial  
 8 compensation and other transfers of money in this District by doing business and  
 9 engaging in activities having an effect in this District.

### 10 **PARTIES**

11 11. Plaintiff is a stockholder of Sempra, was a stockholder of Sempra at the  
 12 time of the wrongdoing alleged herein, and has been a stockholder of Sempra  
 13 continuously since that time. Plaintiff is a resident of Colorado.

14 12. Nominal defendant Sempra is a California corporation with its principal  
 15 executive offices located at 488 8th Avenue, San Diego, California 92101.

16 13. Nominal defendant SoCalGas is a wholly owned subsidiary of Sempra  
 17 with its principal executive offices at 555 West Fifth Street, Los Angeles, California  
 18 90013.

19 14. Defendant Debra L. Reed (“Reed”) has served as Chief Executive  
 20 Officer (“CEO”) and a director of Sempra since June 2011. She has served as  
 21 Sempra’s Chairman of the Board since December 2012. She is also the chairman of  
 22 the Board’s Executive Committee. She also served as president of Sempra  
 23 subsidiary San Diego Gas & Electric (“SDG&E”) from 2000 to 2010, and as  
 24 President and CEO of both SDG&E and SoCalGas from October 2006 to March  
 25 2010. Defendant Reed is named as a defendant in the securities class action based  
 26 on the Leak pending in the Southern District of California. *See Plumley v. Sempra*  
 27

1 *Energy, et al.*, 3:16 CV-00512-BEN-RBB (the “Securities Action”). Upon  
2 information and belief, Reed is a citizen of California.

3 15. Defendant Joseph A. Householder (“Householder”) joined Sempra in  
4 2001. He has served as Sempra’s Executive Vice President and Chief Financial  
5 Officer since October 2011. He also served as Sempra’s Vice President of  
6 Corporate Tax, Chief Tax Counsel, Senior Vice President, Controller, and Chief  
7 Accounting Officer from 2006 to 2011. Defendant Householder is also a defendant  
8 in the Securities Action. Upon information and belief, Householder is a citizen of  
9 California.

10 16. Defendant Steven D. Davis (“Davis”) joined Sempra in 1981. He has  
11 served as Sempra’s Executive Vice President of External Affairs and Corporate  
12 Strategy since September 2015. During his tenure with Sempra and its subsidiaries  
13 he has served in various executive positions. At Sempra, he has served as Senior  
14 Vice President of Corporate External Affairs, Vice President of Investor Relations  
15 and Corporate Communications, and Vice President of Communications and  
16 Community Partnerships. At SDG&E, he has served as President, Chief Operating  
17 Officer, Chief Financial Officer, and Principal Accounting Officer. At SoCalGas, he  
18 has served as Senior Vice President of Customer Service and External Relations,  
19 Chief Accounting Officer, and Chief Financial Officer. Additionally, at Pacific  
20 Enterprises (another Sempra Subsidiary), he has served as Senior Vice President,  
21 Chief Financial Officer, and Senior Vice President. Davis has been a Director of  
22 SoCalGas and SDG&E since September 22, 2011. Upon information and belief,  
23 Davis is a citizen of California.

24 17. Defendant Justin C. Bird (“Bird”) joined Sempra in 2004. Since  
25 September 2014, he has served as Sempra’s Vice President of Compliance and  
26 Governance and Corporate Secretary. As Vice President, Bird directs Sempra’s  
27 ethics and compliance programs worldwide. He coordinates and records all Board  
28

1 and committee meetings. Upon information and belief, Bird is a citizen of  
2 California.

3 18. Defendant Dennis V. Arriola (“Arriola”) has served as the chairman of  
4 SoCalGas since November 2015 and CEO and President since March 2014. He also  
5 served as Chief Operating Officer of SoCalGas from June 2012 to January 2014 and  
6 has previously served in a broad range of leadership roles for the Sempra family of  
7 companies dating back to at least 1994. Upon information and belief, Arriola is a  
8 citizen of California.

9 19. Defendant Jimmie I. Cho (“Cho”) has served as SoCalGas’s Senior  
10 Vice President of Gas Operations and System Integrity since at least June 2014.  
11 Prior to that, he served as Vice President of Human Resources, Diversity and  
12 Inclusion for SoCalGas. Upon information and belief, Cho is a citizen of California.

13 20. Defendant Doug Schneider (“D. Schneider”) has served as SoCalGas’s  
14 Vice President of Engineering and System Integrity since at least February 2014. He  
15 joined SoCalGas as an engineer in 1991 and has worked at SoCalGas in an  
16 engineering role since that time except for 1997 to 2001. D. Schneider is a  
17 registered professional engineer and is responsible for gas engineering and pipeline  
18 safety policies and programs. Upon information and belief, D. Schneider is a citizen  
19 of California.

20 21. Defendant Michael M. Schneider (“M. Schneider”) has served as  
21 SoCalGas’s Vice President of Operations Support and Chief Environmental Officer  
22 since at least February 2014. He holds the same positions at SDG&E. In these  
23 positions, he is responsible for facilities, fleet services, and environmental services  
24 for both Sempra subsidiaries. M. Schneider has served in the Sempra family of  
25 Companies since at least 1994. Upon information and belief, M. Schneider is a  
26 citizen of California.

1           22. Defendant Scott Furgerson (“Furgerson”) has served as SoCalGas’s  
2 Vice President of Gas Operations since February 2014. He holds the same position  
3 with SDG&E. In his position, he oversees all aspects of gas field operations  
4 including gas distribution, transmission, storage, and gas control for SoCalGas.  
5 Upon information and belief, Furgerson is a citizen of California.

6           23. Defendant George Minter (“Minter”) has served as SoCalGas’s  
7 Regional Vice President of External Affairs and Environmental Strategy since at  
8 least February 2015. In this position, he leads SoCalGas’s public affairs,  
9 environmental and energy policy, community relations, and media and employee  
10 communications efforts. Upon information and belief, Minter is a citizen of  
11 California.

12           24. Defendant Alan L. Boeckmann (“Boeckmann”) has served as a director  
13 of Sempra since February 2011. He has also served as a member of the Board’s  
14 Corporate Governance Committee since at least March 2012. Upon information and  
15 belief, Boeckmann is a citizen of Nevada.

16           25. Defendant James G. Brocksmith, Jr. (“Brocksmith”) has served as a  
17 director of Sempra since October 2001. He has also served as a member of the  
18 Board’s Audit Committee since at least March 2012 and the Environmental, Health,  
19 Safety and Technology Committee since at least March 2014. As a member of the  
20 Environmental, Health, Safety and Technology Committee he is responsible for  
21 overseeing the Company’s programs and performance related to environmental,  
22 health, safety, and technology matters. Upon information and belief, Brocksmith is  
23 a citizen of Florida.

24           26. Defendant Kathleen L. Brown (“Brown”) has served as a director of  
25 Sempra since June 2013. She has also served as a member of the Board’s Corporate  
26 Governance Committee and Environmental, Health, Safety and Technology  
27 Committee since at least March 2014. As a member of the Environmental, Health,  
28



1 Safety and Technology Committee she is responsible for overseeing the Company's  
 2 programs and performance related to environmental, health, safety, and technology  
 3 matters. Brown is also the sister of California Governor Edmund Gerald "Jerry"  
 4 Brown. Governor Brown's state agency, the State of California Division of Oil, Gas  
 5 and Geothermal Resources is named as a defendant in the negligence class action  
 6 captioned *Cupial, et al. v. Southern California Gas Company, et al.*, Cal. Sup. Ct.  
 7 No. BC604592. Governor Brown also declared a state of emergency in the Aliso  
 8 Canyon area because of the spill on January 6, 2016 This was dangerously late and  
 9 was likely delayed by his familial relationship with Defendant Brown. Upon  
 10 information and belief, Brown is a citizen of California.

11 27. Defendant Pablo A. Ferrero ("Ferrero") has served as a director of  
 12 Sempra since November 2013. He has also served as a member of the Board's  
 13 Audit Committee and the Environmental, Health, Safety and Technology Committee  
 14 since at least March 2014. As a member of the Environmental, Health, Safety and  
 15 Technology Committee he is responsible for overseeing the Company's programs  
 16 and performance related to environmental, health, safety, and technology matters.  
 17 Ferrero serves on several other oil and gas company boards and has over 20 years of  
 18 experience in the oil and gas industry. Upon information and belief, Ferrero is a  
 19 citizen of California.

20 28. Defendant William D. Jones ("Jones") has served as a director of  
 21 Sempra since 1994. He has served as chairman of the Board's Corporate  
 22 Governance Committee and a member of the Audit and Executive Committees since  
 23 at least March 2015. Upon information and belief, Jones is a citizen of California.

24 29. Defendant William G. Ouchi ("Ouchi") has served as a director of  
 25 Sempra since June 1998. He has served as a member of the Board's Compensation  
 26 and Corporate Governance Committees since at least March 2012. Defendant Ouchi  
 27 also served on the board of AECOM with Defendant William P. Rutledge  
 28



1 (“Rutledge”) from 2003 to 2016. Upon information and belief, Ouchi is a citizen of  
2 California.

3 30. Defendant William C. Rusnack (“Rusnack”) has served as a director of  
4 Sempra since 2001. He has served as the Board’s Lead Director since at least March  
5 2007. He has served as chairman of the Board’s Compensation Committee and as a  
6 member of the Corporate Governance Committee since at least March 2012. Upon  
7 information and belief, Rusnack is a citizen of California.

8 31. Defendant Rutledge has served as a director of Sempra since 2001. He  
9 has served as chairman of the Board’s Environmental, Health, Safety and  
10 Technology Committee (formerly Environmental and Technology Committee) and a  
11 member of the Compensation Committee since at least March 2012. As the  
12 chairman of the Environmental, Health, Safety and Technology Committee, he is  
13 responsible for overseeing the Company’s programs and performance related to  
14 environmental, health, safety, and technology matters. He also served on the board  
15 of AECOM Technology with Defendant Ouchi from 2003 to 2016. Upon  
16 information and belief, Rutledge is a citizen of California.

17 32. Defendant Lynn Schenk (“Schenk”) has served as a director of Sempra  
18 since March 2008. She has served a member of the Board’s Compensation  
19 Committee since at least March 2013 and the Audit Committee and Environmental,  
20 Health, Safety and Technology Committee since at least March 2012. As a member  
21 of the Environmental, Health, Safety and Technology Committee she is responsible  
22 for overseeing the Company’s programs and performance related to environmental,  
23 health, safety, and technology matters. Upon information and belief, Schenk is a  
24 citizen of California.

25 33. Defendant Jack T. Taylor (“Taylor”) has served as a director of Sempra  
26 since February 2013. He has served as chairman of the Board’s Audit Committee  
27 since at least July 2015. He has served as a member of the Board’s Environmental,  
28

1 Health, Safety and Technology Committee since at least March 2014. As a member  
 2 of the Environmental, Health, Safety and Technology Committee he is responsible  
 3 for overseeing the Company's programs and performance related to environmental,  
 4 health, safety, and technology matters. Upon information and belief, Taylor is a  
 5 citizen of Louisiana.

6 34. Defendant James C. Yardley ("Yardley") has served as a director of  
 7 Sempra since May 2013. He has served as a member of the Board's Audit  
 8 Committee and the Environmental, Health, Safety and Technology Committee since  
 9 at least March 2014. As a member of the Environmental, Health, Safety and  
 10 Technology Committee he is responsible for overseeing the Company's programs  
 11 and performance related to environmental, health, safety, and technology matters.  
 12 Upon information and belief, Yardley is a citizen of Texas.

13 35. The defendants referenced above in ¶¶ 14-34 are referred to herein as  
 14 the "Individual Defendants."

15 36. The defendants referenced above in ¶¶ 14 and 23-34 are sometimes  
 16 referred to herein as the "Director Defendants."

### 17 **DUTIES OF THE INDIVIDUAL DEFENDANTS**

18 37. By reason of their positions as officers and/or directors of the  
 19 Companies and because of their ability to control the business and corporate affairs  
 20 of the Companies, the Individual Defendants owed Sempra and its stockholders the  
 21 fiduciary obligations of good faith, loyalty, and candor and were and are required to  
 22 use their utmost ability to control and manage the Companies in a fair, just, honest,  
 23 and equitable manner. The Individual Defendants were and are required to act in  
 24 furtherance of the best interests of Sempra and its stockholders so as to benefit all  
 25 stockholders equally and not in furtherance of their personal interest or benefit.  
 26 Each director and officer of the Companies owes to Sempra and its stockholders the  
 27

1 fiduciary duty to exercise good faith and diligence in the administration of the affairs  
2 of the Companies and in the use and preservation of its property and assets, and the  
3 highest obligations of fair dealing.

4 38. SoCalGas is owned and controlled by Sempra. By reason of their  
5 positions as officers of SoCalGas, defendants Arriola, Cho, Doug Schneider,  
6 Michael Schneider, Furgerson, and Minter, owed and continue to owe SoCalGas and  
7 Sempra fiduciary obligations of good faith, loyalty, and candor and were and are  
8 required to use their utmost ability to control and manage SoCalGas in a fair, just,  
9 honest, and equitable manner. Defendants Arriola, Cho, Doug Schneider, Michael  
10 Schneider, Furgerson, and Minter were and are required to act in a manner so as not  
11 to cause harm to SoCalGas or Sempra and not in furtherance of their personal  
12 interest or benefit.

13 39. The Individual Defendants, because of their positions of control and  
14 authority as directors and/or officers of the Companies, were able to and did, directly  
15 and/or indirectly, exercise control over the wrongful acts complained of herein.

16 40. To discharge their duties, the officers and directors of the Companies  
17 were required to exercise reasonable and prudent supervision over the management,  
18 policies, practices, and controls of the Companies. By virtue of such duties, the  
19 officers and directors of the Companies were required to, among other things:

20 a. ensure that the Companies complied with their legal obligations  
21 and requirements, including acting only within the scope of their legal authority and  
22 disseminating truthful and accurate statements to the SEC, other government  
23 agencies, and the investing public and complying with all state and federal laws  
24 concerning natural gas storage and leak response;

25 b. conduct the affairs of the Companies in a lawful, efficient,  
26 business-like manner so as to make it possible to provide the highest quality  
27

1 performance of their business, to avoid wasting the Companies' assets, and to  
2 maximize the value of Sempra's stock;

3 c. properly and accurately guide investors and analysts as to the true  
4 financial condition of Sempra at any given time, including making accurate  
5 statements about Sempra's financial results and prospects, and ensuring that the  
6 Companies maintained an adequate system of financial controls such that Sempra's  
7 financial reporting would be true and accurate at all times;

8 d. remain informed as to how the Companies conducted their  
9 operations, and, upon receipt of notice or information of imprudent or unsound  
10 conditions or practices, make reasonable inquiry in connection therewith, and take  
11 steps to correct such conditions or practices and make such disclosures as necessary  
12 to comply with federal and state laws; and

13 e. ensure that the Companies were operated in a diligent, honest,  
14 and prudent manner in compliance with all applicable federal, state, and local laws,  
15 rules, and regulations.

16 41. Each Individual Defendant, as a director and/or officer, owed to Sempra  
17 and its stockholders the fiduciary duties of loyalty, good faith, and candor in the  
18 management and administration of the affairs of the Companies, as well as in the use  
19 and preservation of its property and assets. The conduct of the Individual  
20 Defendants complained of herein involves a knowing and culpable violation of their  
21 obligations as directors and officers of the Companies, the absence of good faith on  
22 their part, and a reckless disregard for their duties to Sempra and its stockholders  
23 that the Individual Defendants were aware or should have been aware posed a risk of  
24 serious injury to the Companies.

25 42. On September 12, 2014, the Board adopted the latest amended set of  
26 corporate governance guidelines which address the Board's governance role and  
27 functions to promote the functioning of the Board and its committees and to set forth  
28

1 a common set of expectations as to how the Board should perform its functions (the  
2 “Corporate Governance Guidelines”).

3 43. The Corporate Governance Guidelines include the following language:

#### 4 1.1 Board Oversight

5 Sempra Energy’s business and affairs are managed and all of its  
6 corporate powers are exercised under the direction of the Board of  
7 Directors. The board functions as a collective unit to establish broad  
8 policies and to monitor the performance of the corporation and the  
9 Chief Executive Officer to whom, together with senior management,  
the board has delegated day-to-day business operations.

10 In performing their duties, directors adhere to duties of loyalty and care.  
11 They fulfill the duty of loyalty by acting in good faith and in a manner  
12 free from self-dealing and which they believe to be in the best interests  
13 of Sempra Energy and its shareholders. They fulfill the duty of care by  
14 acting in an informed manner and with such care, including reasonable  
inquiry, as an ordinarily prudent person in a like position would use  
under similar circumstances.

15 \* \* \*

#### 16 1.3 Expectations of Directors

17 The Board of Directors is a vehicle for corporate policy-making,  
18 monitoring and consultation. It functions as a collective whole rather  
19 than through the unilateral actions of individual directors who as such  
20 have no authority to represent or commit the board or Sempra Energy.

21 Although the board functions as a unit, board effectiveness is  
22 determined by the character, integrity, judgment, knowledge,  
23 experience, efforts and contributions of the individual directors, each  
24 fulfilling duties of loyalty and care and working constructively with  
fellow directors and management. The board expects that each director  
will:

- 25 • Exercise diligent and constructive oversight over the
- 26 corporation’s business and affairs.

- 1 • Act ethically and with integrity, carefully consider the effects of  
2 individual actions (both as a member of the board and of the  
3 business community) upon the corporation and the board as a  
4 whole, and act in a manner to further the corporation's success  
5 and the effectiveness of the board and management.
- 6 • Maintain an attitude of constructive skepticism, ask relevant,  
7 incisive, probing questions and engage in direct and forthright  
8 discussions with the board and management.
- 9 • Develop and maintain a broad understanding of the corporation's  
10 business and risk profile, its strategic, financial and operating  
11 opportunities and plans, and its internal control systems and  
12 disclosure controls and procedures, including environmental, and  
13 health and safety systems and procedures.
- 14 • Develop and maintain financial literacy including an  
15 understanding of the corporation's financial statements, the basic  
16 accounting principles critical to the corporation's business and  
17 how the choice of accounting principles, and the making of  
18 judgments and estimates, affect the corporation's reported  
19 financial results.
- 20 • Generally support the board's policy and business decisions and  
21 management in carrying out these decisions and demonstrate a  
22 strong commitment to the corporation, its business plans and  
23 creating and sustaining shareholder value.
- 24 • Understand and respect the roles of the board and management  
25 and observe the confidentiality of board deliberations, corporate  
26 plans and information.
- 27 • Avoid personal or other interests that conflict or may appear to  
28 conflict with or impair the director's ability to perform his or her  
responsibilities, promptly inform the board of any such interests  
and not participate in any decision affected by such interests.
- Observe corporate policies and guidelines regarding ethical  
behavior, interested directors, share ownership and other policies  
and guidelines adopted by the board, including the Code of  
Business Conduct and Ethics.

- Attend in person (absent exceptional circumstances or unless the meeting is announced to be a telephonic meeting) all board meetings and all meetings of committees to which he or she is appointed, be willing to serve on all committees, actively participate in meetings, review relevant materials, prepare for meetings and for discussions with management, take advantage of orientation and continuing education opportunities and otherwise educate himself or herself to discharge effectively his or her responsibilities and the expectations of the board.
- Balance prompt action with thorough deliberations, prioritize matters requiring attention, gather sufficient information, engage in open discussion, invite differing views, evaluate the benefits and risks of various courses of action and support the acceptance of prudent business risks to permit informed and timely decision making.
- View obligations to corporate and other constituencies in light of a primary duty to the company and its shareholders.

44. Sempra has also established a Code of Business Conduct and Ethics for Board of Directors and Senior Officers (the “Code”), which “sets forth written standards that are designed to deter wrongdoing and to promote”:

- Honest and ethical conduct.
- Full, fair, accurate, timely and understandable disclosure in public communications.
- Compliance with laws, rules and regulations.
- Prompt internal reporting of violations of the code.
- Accountability for adherence to the code.

45. The Code applies to “each member of the board of directors of Sempra Energy and to each officer of Sempra Energy and its publicly held subsidiaries.”

46. Additionally, the Code states:



1 II. Encouraging Ethical Behavior

2 Directors and officers are expected to observe and to promote high  
3 standards of integrity and ethical behavior in the conduct of the  
4 company's business. Officers should actively encourage all employees  
5 to talk to supervisors, managers or other appropriate company  
6 personnel when in doubt about the best course of action in a particular  
7 situation. They should also actively encourage all employees to report  
8 violations of laws, rules or regulations or other unethical conduct to  
appropriate company personnel. In addition they should assure  
employees the company will not permit retaliation for reports that are  
made in good faith.

9 \* \* \*

10 3.5 Compliance with Law, Rules and Regulations

11 Directors and officers should endeavor to comply and to cause the  
12 company to comply with all applicable laws, rules and regulations  
13 relating to the company. They are prohibited from buying or selling  
14 securities of the Sempra Energy Companies in violation of insider  
trading or other securities laws.

15 \* \* \*

16 V. Public Communications

17 The company is committed to providing public information about the  
18 company that is accurate, objective, fair, relevant, timely and  
19 understandable. The chief executive, chief financial and chief  
20 accounting officers of Sempra Energy and its publicly held subsidiaries  
21 are responsible for designing and maintaining and for evaluating the  
effectiveness of disclosure controls and procedures.

22 These controls and procedures are intended to provide reasonable  
23 assurance that required Securities and Exchange Commission filings are  
24 timely filed and that these reports and other public communications do  
25 not contain any untrue statement of a material fact or omit to state a  
26 material fact required to be stated therein or necessary to make the  
statements made, in the light of the circumstances under which they  
were made, not misleading.

27

28

**SPECIFIC DUTIES OF THE ENVIRONMENTAL, HEALTH, SAFETY AND TECHNOLOGY COMMITTEE**

47. The Board adopted a Charter for the Environmental, Health, Safety and Technology Committee (defendants Rutledge, Brocksmith, Brown, Ferrero, Schenk, Taylor, and Yardley) on September 5, 2000. The most recent amendments to the Charter were on November 9, 2015 (at least two weeks after the Leak had started). These amendments primarily concerned cybersecurity, but this committee is now charged with “monitor[ing] compliance with internal policies and goals as well as applicable external laws and regulations.” In the prior version, amended November 12, 2013, the committee was charged with “ensur[ing]” similar compliance. This new duty to monitor is a step in the right direction, but greater corporate governance reforms are needed within the Companies to prevent future events like the Leak.

48. Another entirely new provision of the updated Environmental, Health, Safety and Technology Committee Charter states:

The Company’s operational performance can affect the environment as well as the health and safety of employees and other stakeholders in the communities we serve and beyond. Consequently this Committee’s focus on environmental, health, safety and technology issues is consistent with the board’s oversight role of corporate responsibility and stewardship.

49. The Environmental, Health, Safety and Technology Committee Charter further requires the committee to perform a “review of environmental, health and safety laws, regulations and developments at the global, national, regional and local level and evaluation of ways to address these matters as part of the Company’s business strategy and operations.” The members of the Environmental, Health, Safety and Technology Committee, defendants Rutledge (chair), Brocksmith, Brown, Ferrero, Schenk, Taylor, and Yardley, have additional specific duties to Sempra to oversee environmental, health, safety, and technological matters.

1           50. To that end, the Environmental, Health, Safety and Technology  
2 Committee, as laid out in its charter, has the following responsibilities, among  
3 others:

- 4           • Review the status of the Company's environmental, health and  
5 safety processes, programs and performance, including processes  
6 used by the business units' subsidiary boards and the Corporate  
7 Compliance Committee to monitor compliance with internal  
8 policies and goals as well as applicable external laws and  
9 regulations.
- 10          • Review the role of the Company's Corporate Compliance  
11 Committee as well as the compliance committees at each  
12 business unit in implementing programs at each business unit.
- 13          • Review current and emerging environmental, health and safety  
14 matters, including issues raised through internal audits, and  
15 discuss the management of such risks and any related corrective  
16 actions taken by the Company.
- 17          • Report to the board on environmental, health and safety matters  
18 affecting the Company.
- 19          • Review with management the effective implementation of  
20 technology to improve environmental, health and safety  
21 performance and review effective implementation of compliance  
22 procedures relating to cybersecurity, privacy and infrastructure  
23 security.
- 24          • Review with management any fatality, serious injury or illness  
25 involving an employee, customer, contractor or third-party in  
26 connection with Company operations, facilities or projects, and  
27 discuss management's response to such events. Review with  
28 management any material noncompliance with health, safety and  
environmental laws and regulations, and related notice of  
violations and/or fines and discuss management's response to  
such events.

- Review stockholder proposals related to environmental, health, safety and sustainability and recommend responses to the board on such proposals with input from management.

#### **SPECIFIC DUTIES OF THE AUDIT COMMITTEE**

51. Finally, the Audit Committee Charter, adopted December 2, 2003 with its latest amendments on February 18, 2011, states that the Audit Committee of the Board (defendants Brocksmith, Ferrero, Jones, Schenk, Taylor, and Yardley) is to ensure “compliance with legal and regulatory requirements” and “will discuss with management the corporation’s policies with respect to risk assessment and risk management, significant financial risk exposures and the actions management has taken to limit, monitor or control such exposures.”

### **SUBSTANTIVE ALLEGATIONS**

#### **A. BACKGROUND**

52. Sempra was created in 1998 when Pacific Enterprises, the parent company of SoCalGas, merged with Enova Corporation, the parent company of SDG&E. Pacific Enterprises and Enova Corporation each had histories as utility companies dating back over a century. Today, Sempra and its various subsidiaries invest in, develop, and operate energy infrastructure, and provide gas and electrical services to customers across North and South America.

53. The Facility is an oil field and natural gas storage facility in the Santa Susana Mountains in Los Angeles County, California. It is north of the Porter Ranch neighborhood, a part of the City of Los Angeles. The Facility was developed beginning in 1938 and peaked as an oil producer around 1955. With a maximum capacity of 80 billion cubic feet and comprising 115 injection/withdrawal wells, the Facility is one of the largest natural gas reservoirs in the United States.

54. The Facility is located less than one mile from the Los Angeles community of Porter Ranch (30,000 residents) and mere miles from other

1 communities, including Chatsworth (40,000 residents), Granada Hills (50,000  
2 residents), and Northridge (60,000 residents).

3 55. The Facility has been owned by SoCalGas since 1971. One of its  
4 depleted oil and gas producing formations, the Sesnon-Frew Zone, was converted by  
5 SoCalGas into a gas storage reservoir in 1973. Today, SoCalGas transports natural  
6 gas to the facility from other locations, then injects it underground for storage.  
7 Despite the fact that the Facility houses gas for distribution to nearly 22 million  
8 customers in the Los Angeles Basin, much of its infrastructure dates back to the  
9 1930s and 1940s.

10 56. As part of the Facility's conversion in the 1970s from oil production to  
11 oil storage, a faulty safety valve in Well SS-25 of the Sesnon-Frew Zone was  
12 removed in 1979 and never replaced. SoCalGas told state regulators that it had  
13 replaced the safety valve, but in reality opted not to because it was not a "critical  
14 well." Critical wells are defined by state law as those within 300 feet of homes. The  
15 safety valve would not have prevented the Leak, but it would have been essential in  
16 stopping the fumes from the Leak from pouring into the air after the Leak began (at  
17 the latest October 23, 2015).

18 57. The underground reservoir is connected to the surface via a seven inch  
19 diameter gas pipe surrounded by 11.75 inches of concrete casing. It is likely that  
20 this casing cracked, causing a leak in the pipe. Relying on almost 80 year-old  
21 concrete to contain one of the largest oil reservoirs in the nation in the seismically  
22 treacherous land of southern California is the epitome of a bad idea.

23 **B. THE LEAK**

24 58. Sometime before October 2015, a break occurred along the length of  
25 Well SS-25 in the Sesnon-Frew Zone, causing natural gas to seep into the  
26 atmosphere. The failed well has a depth of over 8,500 feet. The safety valve would  
27

1 have been able to reroute gas from the reservoir to a relief well. Instead the gas was  
2 able to escape through a crack in the pipe without an easy fix. The escaping gas was  
3 comprised of methane along with numerous other toxic gases, including toluene,  
4 benzene, hydrogen sulfides, sulfur dioxide, ethylbenzene, and xylenes posing  
5 significant threats to the environment and residents of the region.

6 59. Not only did the Facility house a maximum of 80 billion cubic feet of  
7 gas, but SoCalGas injected 5.7 billion cubic feet in September 2015 and was on pace  
8 to inject a similar amount in October 2015.

9 60. The Companies claim to have discovered the Leak on October 23,  
10 2015. In stark violation of state and federal laws for widespread toxic  
11 contaminations, they neglected to disclose the Leak until October 28, 2015. On  
12 October 23, 2015, local residents submitted numerous reports of noxious odors in  
13 the area. During the interim, Sempra denied the leak in the press and even sent  
14 employees door-to-door in the adjoining communities informing residents that  
15 everything was okay.

16 61. Residents quickly began experiencing severe symptoms of gas exposure  
17 such as neurological, gastrointestinal, and respiratory ailments, dizziness, light-  
18 headedness, nausea, vomiting, headaches, and nosebleeds.

19 62. On November 19, 2015, the California State Health Department ordered  
20 Sempra to expedite leak abatement and to provide temporary relocation to any  
21 resident affected by the gas leak. On December 4, 2015, around six weeks after it  
22 publicly acknowledged the Leak, Sempra belatedly began the slow process of  
23 constructing a relief well to cap the Leak.

24 63. On February 11, 2016, the relief well intercepted the base of the leaking  
25 well and the process of plugging the well began in earnest.

1        64. On February 18, 2016, after at least 118 days of one million barrels per  
2 day of natural gas escaping from the Facility and into the air, the Leak was  
3 permanently capped. The Leak is the largest methane leak in United States history.

4        **C. THE AFTERMATH**

5        65. After the Leak began, stories of Sempra and SoCalGas management  
6 incompetence in the buildup to the Leak began to emerge.

7        66. On December 15, 2015, Rodger Schwecke, a SoCalGas executive  
8 revealed that the safety valve for Well SS-25 had been removed in 1979. Sempra  
9 never replaced the valve despite telling officials it had in 1979, and continued to fail  
10 to do so even though five years ago it requested and obtained regulatory permission  
11 to increase rates to replace leaking valves at the Facility. These additional funds  
12 from increased rates lined the pockets of the Companies' executives rather than the  
13 crucial pipes meant to hold in toxic gas. For instance, defendant Reed received  
14 \$16,893,225 in compensation for fiscal year 2014.

15        67. Following the Health Department's order to relocate the thousands of  
16 nearby residents affected by the Leak, Sempra responded in an unacceptably slow  
17 manner. On December 22, 2015, the Los Angeles City Attorney filed an *ex parte*  
18 application for a temporary restraining order seeking to compel Sempra to improve  
19 its relocation efforts. The City Attorney's application described situations wherein  
20 Sempra had failed to provide timely relocation, provide suitable alternative housing,  
21 properly accommodate persons with disabilities, and properly accommodate persons  
22 and families with pets.

23        68. By January 6, 2016, Sempra reported in a Form 8-K filed with the SEC  
24 that approximately 2,500 households had been temporarily relocated and over 1,460  
25 additional requests for relocation had not yet been fulfilled.



1           69. Although the government eventually stepped in to force Sempra's hand  
2 in its resident relocation and leak remediation efforts, government action was likely  
3 delayed due to the Board's intimate connections with high-ranking state officials. It  
4 is no secret that defendant Brown is California Governor Jerry Brown's sister.  
5 Defendant Brown's father, Edmund G. "Pat" Brown also served as California's  
6 governor. Defendant Brown has also served on the Los Angeles City Board of  
7 Education and as California State Treasurer. Defendant Schenk served as a member  
8 of the United States House of Representatives and as a member of its Energy and  
9 Commerce Committee. Defendant Schenk also served in various positions in the  
10 cabinet of former California Governor Gray Davis, including Chief of Staff. These  
11 and other deeply-rooted connections allowed the Board to prevent Governor Jerry  
12 Brown from declaring a state of emergency until January 6, 2016.

13           70. It was not until a state of emergency was declared that schools were  
14 officially closed in the area and parents were allowed to remove their children from  
15 the classroom without disciplinary repercussions. Prior to the state of emergency,  
16 residents of the surrounding communities have alleged in a class action a complaint  
17 that they were told by the Los Angeles Unified School District that their children  
18 would be marked absent and receive an unexcused absence if they were held out of  
19 school due to the Leak. Further, the school district informed parents that the area  
20 schools were safe from contaminants. *See Cupial, et al. v. Southern California Gas*  
21 *Company*, Los Angeles Cty. Sup. Ct., No. BC604592.

22           71. On February 25, 2016, Judge Elihu M. Berle of the Los Angeles  
23 Superior Court ordered a 22-day extension of the time that SoCalGas must continue  
24 to pay for temporary relocation housing for affected residents. The temporary  
25 housing costs the Companies around \$2 million per day and will last until at least  
26 March 18, 2016.

**DAMAGES TO SEMPRA AND SOCALGAS**

72. As a result of the Individual Defendants' wrongful conduct, the Companies allowed the Leak to begin, failed to repair the Leak in a timely manner, failed to provide for the residents affected by the Leak in an adequate and timely manner, and disseminated false and misleading statements. All of these actions have devastated Sempra and SoCalGas's credibility. The Companies have been, and will continue to be, severely damaged and injured by the Individual Defendants' misconduct.

73. Indeed, the Individual Defendants' actions as alleged herein, have subjected Sempra and SoCalGas to at least 83 negligence-related lawsuits, criminal charges, the Securities Action, several lawsuits brought by city and state agencies, and a federal government investigation. Legal and settlement fees from these lawsuits will likely cost the Companies billions of dollars. Sempra stated in its Form 10-K filed on February 26, 2016 that:

The costs of defending against these civil and criminal lawsuits and cooperating with these investigations, and any damages and civil and criminal fines and other penalties, if awarded or imposed, could be significant and to the extent not covered by insurance, or if there were to be significant delays in receiving insurance recoveries, could have a material adverse effect on SoCalGas' and Sempra Energy's cash flows, financial condition and results of operations.

74. Additionally, Sempra reported that, as of December 31, 2015, SoCalGas had expended \$50 million to address the leak and mitigate the environmental and community impact. Sempra also reported that the value of the gas lost to that date was \$250 to \$300 million. On January 28, 2016, the California State Senate voted unanimously to ban SoCalGas from using 1950s era wells in Aliso Canyon until they can be certified as safe. This will cause the Companies to expend untold monies to prove that the Facility is safe or to build new facilities for gas storage for the Los Angeles area.

75. Moreover, these actions have irreparably damaged Sempra's corporate image and goodwill. For the foreseeable future, Sempra will suffer from what is known as the "liar's discount," a term applied to the stocks of companies who have been implicated in illegal behavior and have misled the investing public, such that Sempra's ability to raise equity capital or debt on favorable terms in the future is now impaired. The Companies will also have a "black-eye" similar to that of British Petroleum after the Deepwater Horizon leak that could damage their standing in the American business community indefinitely.

#### **PLAINTIFF'S DEMAND AND DERIVATIVE ALLEGATIONS**

76. Plaintiff incorporates by reference and realleges each and every allegation set forth above, as though fully set forth herein.

77. Plaintiff brings this action derivatively in the right and for the benefit of Sempra to redress the Individual Defendants' breaches of fiduciary duties.

78. Plaintiff is an owner of Sempra common stock and was an owner of Sempra common stock at all times relevant hereto.

79. Plaintiff will adequately and fairly represent the interests of Sempra and its stockholders in enforcing and prosecuting its rights.

80. SoCalGas is a wholly-owned subsidiary of Sempra.

81. As a result of the facts set forth herein, Plaintiff has not made any demand on the Sempra Board to institute this action against the Individual Defendants. Such a demand would be a futile and useless act because the Board is incapable of making an independent and disinterested decision to institute and vigorously prosecute this action.

82. At the time this action was commenced, the Board consisted of twelve directors: defendants Reed, Boeckmann, Brocksmith, Brown, Ferrero, Jones, Ouchi, Rusnack, Rutledge, Schenk, Taylor, and Yardley (the "Director Defendants"). All

1 twelve members of the Board are incapable of making an independent and  
2 disinterested decision to institute and vigorously prosecute this action.

3 **DEMAND IS FUTILE AS TO ALL DIRECTOR DEFENDANTS BECAUSE THE DIRECTOR**  
4 **DEFENDANTS FACE A SUBSTANTIAL LIKELIHOOD OF LIABILITY**

5 83. The Director Defendants face a substantial likelihood of liability for  
6 their individual misconduct. The Director Defendants were directors throughout the  
7 period of the leak, and as such had a fiduciary duty to protect the Companies' assets  
8 and ensure that the Companies complied with all laws and regulations.

9 84. Moreover, the Director Defendants owed a duty to, in good faith and  
10 with due diligence, exercise reasonable inquiry, oversight, and supervision to ensure  
11 that the Company's internal controls were sufficiently robust and effective (and/or  
12 were being implemented effectively), and to ensure that the Board's duties were  
13 being discharged in good faith and with the required diligence and due care. Instead,  
14 the Director Defendants knowingly and/or with reckless disregard reviewed,  
15 authorized and/or caused the actions described herein to occur damaging the  
16 Companies, the environment, and the physical well-being of nearby residents.

17 85. In its public filings, including Forms 10-K filed with the SEC and  
18 signed by the Director Defendants, Sempra commonly acknowledges that its natural  
19 gas storage wells are dangerous and pose significant risks to the environment and to  
20 local communities. Further, the Forms 10-K disclose that well failures could cost  
21 the Company catastrophic amounts of money. The Director Defendants' failure to  
22 take necessary and appropriate steps to prevent and then timely rectify the Leak has  
23 resulted in the Director Defendants facing a substantial likelihood of liability. If the  
24 Director Defendants were to bring a suit on behalf of Sempra to recover damages  
25 sustained as a result of this misconduct, they would expose themselves to significant  
26 liability. This is something they will not do. For this reason demand is futile.

1 **DEFENDANT REED LACKS INDEPENDENCE**

2 86. Sempra has conceded in its SEC filings that defendant Reed is not an  
3 independent director of the Company. In its March 26, 2015 Proxy Statement,  
4 Sempra states that the Board conducted an annual review of the independence of the  
5 directors and director nominees and determined all directors “other than Debra L.  
6 Reed who is also an executive officer of the company” are independent.

7 87. In addition to this lack of independence, Reed is not disinterested for  
8 purposes of demand futility because her principal occupation is CEO of Sempra.  
9 According to the Company’s SEC filings, between 2012, 2013, and 2014, Reed  
10 received total compensation of \$12,203,902, \$9,792,288, and \$16,893,225,  
11 respectively.

12 88. Defendant Reed is also incapable of considering a demand to  
13 commence and vigorously prosecute this action because she faces a substantial  
14 likelihood of liability as she is a named defendant in the Securities Action and as a  
15 likely Doe in each of the negligence-related class actions.

16 **DEFENDANTS RUTLEDGE, BROCKSMITH, BROWN, FERRERO, SCHENK, TAYLOR,**  
17 **AND YARDLEY AS ENVIRONMENTAL, HEALTH, SAFETY AND TECHNOLOGY**  
18 **COMMITTEE MEMBERS ARE NOT DISINTERESTED AS THEY FACE A SUBSTANTIAL**  
**LIKELIHOOD OF LIABILITY**

19 89. From the start of the Leak to the present, defendants Rutledge (chair),  
20 Brocksmith, Brown, Ferrero, Schenk, Taylor, and Yardley served as members of the  
21 Environmental, Health, Safety and Technology Committee. Pursuant to the  
22 committee’s charter, the members were and are responsible for, *inter alia*, oversight  
23 of the Companies’ “compliance with internal policies and goals as well as applicable  
24 external laws and regulations.” Defendants Rutledge, Brocksmith, Brown, Ferrero,  
25 Schenk, Taylor, and Yardley breached their fiduciary duties of due care, loyalty, and  
26 good faith, because the Environmental, Health, Safety and Technology Committee,  
27 *inter alia*, allowed or permitted the Leak to occur and precipitated the Companies’

inadequate response in its aftermath, thereby injuring countless nearby residents, wasting substantial Sempra resources, and causing the Companies to expend billions of dollars in legal expenses and fines. Additionally, each of the negligence-related class actions names several “Does,” with yet unknown identities, as potential defendants. It is highly likely that the members of the Environmental, Health, Safety and Technology Committee will replace those “Does” as named defendants in those lawsuits. Therefore, defendants Rutledge, Brocksmith, Brown, Ferrero, Schenk, Taylor, and Yardley each face a substantial likelihood of liability for their breach of fiduciary duties and any demand upon them is futile.

**DEFENDANTS BROCKSMITH, FERRERO, JONES, SCHENK, TAYLOR, AND YARDLEY AS AUDIT COMMITTEE MEMBERS ARE NOT DISINTERESTED AS THEY FACE A SUBSTANTIAL LIKELIHOOD OF LIABILITY**

90. From the start of the leak to the present, defendants Brocksmith (chair), Ferrero, Jones, Schenk, Taylor, and Yardley served as members of the Audit Committee. Pursuant to that committee’s charter, the members of the Audit Committee were and are responsible for, *inter alia*, ensuring Sempra’s “compliance with legal and regulatory requirements” as well as “discuss[ing] with management the corporation’s policies with respect to risk assessment and risk management, significant financial risk exposures and the actions management has taken to limit, monitor or control such exposures.” Defendants Brocksmith, Ferrero, Jones, Schenk, Taylor, and Yardley breached their fiduciary duties of due care, loyalty, and good faith because the Audit Committee, *inter alia*, allowed or permitted the Company to disseminate false and misleading statements in Sempra’s SEC filings, public statements and outreach, and other disclosures. Additionally, each of the negligence-related class actions names several “Does,” with yet unknown identities, as potential defendants. It is highly likely that the members of the Audit Committee will replace those “Does” as named defendants in those lawsuits. Therefore,

1 defendants Brocksmith, Ferrero, Jones, Schenk, Taylor, and Yardley each face a  
2 substantial likelihood of liability for their breach of fiduciary duties and any demand  
3 upon them is futile.

4 **DEMAND IS FUTILE AS TO SEVERAL DIRECTOR DEFENDANTS FOR THE FOLLOWING**  
5 **ADDITIONAL REASONS**

6 91. In addition to the lack of disinterestedness for insiders and key  
7 committee members, several directors are not disinterested for additional reasons:

8 a. Defendants Brocksmith and Taylor each had extensive histories at  
9 KPMG LLP prior to their board tenures at Sempra. Defendant Brocksmith was  
10 employed by KPMG for 29 years and worked his way up to deputy chairman and  
11 Chief Operating Officer of United States operations. Defendant Taylor was  
12 employed by KPMG for over 35 years. Taylor Chief Operating Officer of Americas  
13 and Executive Vice Chairman of U.S. Operations from 2005 to 2010 and Vice  
14 Chairman of U.S. Audit and Risk Advisory Services from 2001 to 2005. During  
15 their long and prosperous histories at KPMG, Brocksmith and Taylor likely  
16 developed a strong personal relationship with one another and therefore could not be  
17 disinterested when determining whether to prosecute an action against the other.

18 b. Similarly, defendants Ouchi and Rutledge served concurrently as  
19 directors of AECOM Technology. Ouchi was a director of AECOM from May 2003  
20 to March 2, 2016 and Rutledge has been a director of AECOM since November  
21 1998. During their tenure as directors on the boards of both AECOM and Sempra,  
22 defendant Ouchi and Rutledge have likely developed a strong personal relationship  
23 with one another and therefore could not be disinterested when determining whether  
24 to prosecute an action against the other.



**DEMAND IS FUTILE AS TO ALL DIRECTOR DEFENDANTS FOR THE FOLLOWING  
ADDITIONAL REASONS**

92. If the Companies' current officers and directors are protected against personal liability for their breaches of fiduciary duties alleged herein by Directors & Officers Liability Insurance ("D&O Insurance"), they caused the Company to purchase that insurance for their protection with corporate funds, *i.e.*, monies belonging to the stockholders. However, Plaintiff is informed and believes that the D&O Insurance policies covering the Individual Defendants in this case contain provisions that eliminate coverage for any action brought directly by Sempra or SoCalGas against the Individual Defendants, known as the "insured versus insured exclusion."

93. As a result, if the Director Defendants were to sue themselves or certain of the officers of the Companies, there would be no D&O Insurance protection, and thus, this is a further reason why they will not bring such a suit. On the other hand, if the suit is brought derivatively, as this action is brought, such insurance coverage exists and will provide a basis for the Company to effectuate recovery. Therefore, the Director Defendants cannot be expected to file the claims asserted in this derivative lawsuit because such claims would not be covered under the Company's D&O Insurance policy.

94. Under the factual circumstances described herein, the Individual Defendants are more interested in protecting themselves than they are in protecting the Companies by prosecuting this action. Therefore, demand on Sempra and its Board is futile and is excused. The Companies have been and will continue to be exposed to significant losses due to the Individual Defendants' wrongdoing. Yet, the Director Defendants have not filed any lawsuits against themselves or others who were responsible for the wrongful conduct. Thus, the Director Defendants are

1 breaching their fiduciary duties to Sempra and face a sufficiently substantial  
2 likelihood of liability for their breaches, rendering any demand upon them futile.

3  
4 **COUNT I**

5 **AGAINST THE INDIVIDUAL DEFENDANTS**  
6 **FOR BREACH OF FIDUCIARY DUTY**

7 95. Plaintiff incorporates by reference all preceding and subsequent  
8 paragraphs as if fully set forth herein.

9 96. The Individual Defendants each owed Sempra, SoCalGas, and their  
10 stockholders the fiduciary duties of loyalty, good faith, candor and due care in  
11 managing and administering the Companies' affairs.

12 97. The Individual Defendants were required to exercise reasonable and  
13 prudent supervision over the management, practices, controls, and financial and  
14 regulatory affairs of Sempra and SoCalGas.

15 98. The Individual Defendants breached their fiduciary duties owed to  
16 Sempra and SoCalGas and their stockholders by willfully, recklessly, and/or  
17 intentionally failing to perform their fiduciary duties. They caused the Companies to  
18 waste valuable assets and unnecessarily expend corporate funds. They also failed to  
19 properly oversee the Companies' business, rendering them personally liable to the  
20 Companies.

21 99. Each of the Individual Defendants had actual or constructive knowledge  
22 that inadequate safety controls were in place to prevent the Leak, causing harm to  
23 the Companies, nearby residents, and the environment. The Individual Defendants  
24 breached their fiduciary duties by knowingly causing and/or recklessly allowing the  
25 Company to make false and misleading statements regarding the extent of the Leak  
26 and its remediation as alleged herein.



1 Dated: March 14, 2016

**GLANCY PRONGAY & MURRAY LLP**

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**VERIFICATION**

I, David Shupak, hereby declare, under penalty of perjury, as follows:

1. My name is David Shupak and I am the plaintiff in the above-captioned stockholder derivative action. I have read the foregoing Verified Stockholder Derivative Complaint (the "Complaint") and authorized its filing. Based upon the investigation of my counsel, the allegations in the Complaint are true to the best of my knowledge, information, and belief.

2. I am committed to and hereby declare my intent to fairly and adequately represent the interests of Sempra Energy and its stockholders in this action.

DATED: March 8, 2016

DocuSigned by:  
  
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David Shupak